

APPLICATION OF DIUC FOR APPROVAL TO ENTER INTO LOAN AGREEMENT



CONFIDENTIAL NON-BINDING PROPOSAL LETTER

May 11, 2018

CONFIDENTIAL

Daufuskie Island Utility Company Inc.
 Attn: Terry Lee
 6 Beacon St
 Suite 200
 Boston, MA 02108

Re: One or more loans or facilities described on Annex 1 (whether one or more loans or facilities, collectively "Loan") to Daufuskie Island Utility Company Inc. (whether one or more collectively "Borrower")

Dear Mr. Lee:

SunTrust Bank ("Lender") is pleased to consider making the Loan to Borrower based substantially on the proposed summary of terms and conditions ~~set forth on Annex 1 attached hereto and incorporated herein by this reference (Annex 1, together with this letter and any other supplemental annexes attached hereto and incorporated herein by this reference, this "Letter").~~

This Letter is provided for discussion purposes as an expression of interest by Lender in the proposed financing, does not contain all required terms and conditions and should not be construed to be a commitment, offer, or agreement by Lender to issue a commitment or provide the proposed financing and, as such, Borrower shall be deemed to place no reliance on this Letter. The proposed financing is subject to standard credit underwriting and approval by Lender, which may not be forthcoming. This Letter is not assignable, not intended to benefit any third party, subject to such other terms and conditions as Lender may require, confidential, and not an offer or recommendation to enter into any "swap" transaction per Section 1a(47) of the Commodity Exchange Act.

Evaluation of the proposed financing would require and remain conditioned on, inter alia, Lender's receipt of all documentation and information Lender may require, including without limitation the following items, which must be satisfactory to Lender in its sole discretion: for Borrower and Guarantor(s) (i) true and correct financial statements for prior two (2) years (if available) with attestations satisfactory to Lender; (ii) entity organizational documents; (iii) an explanation of economics among the ownership (except for borrowers and/or guarantors that are individuals or single member entities); and (iv) a schedule or organizational chart of ownership interests (except for borrowers and/or guarantors that are individuals or single member entities). Please provide these items within 30 days of your execution of this Letter. After reviewing these items, Lender may determine that other information and/or documentation is needed to underwrite the proposed financing. Any offer or recommendation to enter into any "swap" or trading strategy involving a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act will only occur after Lender has received appropriate information and/or documentation from you regarding whether you are qualified to enter into a swap under applicable law. Pursuant to the requirements of the Patriot Act, Lender and its affiliates are required to obtain, verify and record information that identifies Loan obligors, which information includes the name, address, tax identification number and other information regarding obligors that will allow Lender to identify obligors in accordance with the Patriot Act, and Lender is hereby so authorized. This notice is given in accordance with the requirements of the Patriot Act and is effective for SunTrust and its affiliates.

All costs incurred by Lender in connection with the proposed financing, including but not limited to, Lender's legal fees and expenses, appraisals, searches, reports and other third party costs (collectively "Costs"), shall be paid and/or reimbursed by Borrower, whether or not the proposed financing is approved or closes, and your acknowledgement below authorizes Lender to proceed with same at your expense and in reliance on this understanding. Borrower shall be responsible for all fees and expenses including, without limitation, legal fees and expenses, incurred by Lender in enforcing its rights under this Letter. Borrower's obligation in respect of the costs and expenses referenced in this paragraph is in consideration, inter alia, for

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Lender's undertaking to underwrite the proposed financing and incur such Costs and shall survive the cancellation or termination of this Letter. If there are multiple parties comprising "Borrower" or "Guarantor", the defined terms shall refer to all such parties collectively, but each such party shall be jointly and severally liable under the Loan.

This Letter constitutes the entire understanding between Lender and Borrower in connection with the proposed Loan as of the date hereof, supersedes any prior written or oral communications or understandings, and may be amended only by a writing signed by Lender. This Letter is unconditionally cancellable by Lender at any time, neither party shall have an express or implied duty to negotiate and either party may terminate negotiations at any time in their sole discretion, and partial performance or efforts to carry out other acts in contemplation of consummating the proposed Loan shall not, in isolation or in aggregate, be deemed evidence of intent by either party to be bound by the terms of this Letter. Neither Lender nor Borrower shall be deemed to have entered into, signed or executed binding documents evidencing the Loan by virtue of this or any other communication at any time prior to Lender's express acceptance of Loan documents prepared by Lender or its counsel. If Lender and Borrower enter into the proposed Loan, this Letter shall not survive any closing of the proposed Loan, and if there is a conflict between the terms of this Letter and any documents evidencing the Loan, the terms of the documents evidencing the Loan shall be controlling.

This Letter is governed by the laws of the State of SC. To the extent permitted by applicable law, Borrower and Lender waive trial by jury in connection with any action arising under or related to this Letter and submit to exclusive jurisdiction in the foregoing state of governing law.

Except as expressly set forth herein with regard to confidentiality, choice of law, waiver of jury trial and Borrower's obligation to pay Costs, this Letter is not intended to, and shall not, create a legally binding obligation on the part of Lender or Borrower, and your signature below confirms your understanding of this. Subject to the foregoing sentence, if you would like Lender to begin its underwriting and review process and to seek the appropriate credit approvals (which may not be forthcoming), please so advise by executing and returning a copy of this Letter to the address below (delivery of this Letter by the parties via electronic transmission shall be permissible), by May 25, 2018, or this Letter will be deemed withdrawn. This Letter may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which, taken together, shall constitute one and the same instrument. A signed counterpart of this Letter transmitted via facsimile, pdf or some other electronic means shall be as fully enforceable as the counterpart containing the original signature(s). If you have any questions in connection with this Letter, please contact me.

Yours sincerely,



Carol Coppola

First Vice President, Commercial Banking

Lender's address:
33 Bull Street
Savannah, GA 31401

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The terms and conditions of this Letter are hereby acknowledged and agreed to this ____ day of
____, 20____.¹

BORROWER:

**Daufuskie Island Utility Company,
Inc.**

By: _____
Print Name: _____

Print Title: _____

¹ Note: Execution of this Letter will signify Borrower's request for credit. If Lender does not timely receive the information or documentation outlined herein or subsequently requested by Lender, Borrower's request for credit will be deemed withdrawn by Borrower. You should inquire about the status of Borrower's request for credit at Lender's address listed above. If the requested financing is denied, you have the right to request a written explanation by writing to Lender at the above address within 60 days of Lender's notice of denial. The Federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract), because all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Reserve Bank of Atlanta. Any questions concerning this creditor should be directed to the Federal Reserve Consumer Help Center, P.O. Box 1200, Minneapolis, MN 55480, toll-free number: (888) 851-1920, fax number: (877) 888-2520, TTY number: (877) 766-8533.

EXHIBIT ONE
APPLICATION OF DIUC FOR APPROVAL TO ENTER INTO LOAN AGREEMENT

ANNEX 1

SUMMARY OF TERMS AND CONDITIONS

THIS TERM SHEET:

- IS FOR DISCUSSION PURPOSES ONLY
- IS NOT AN OFFER TO EXTEND CREDIT
- IS NOT A COMMITMENT TO LEND
- IS NOT AN AGREEMENT TO ISSUE A COMMITMENT

Lender:	SunTrust Bank (" Lender ")
Borrower:	Daufuskie Island Utility Company Inc. (" Borrower ")
Guarantor(s):	Terry Lee, David Hutt, Ronald Shimanowitz, Dafuskie Island Holding Company, LLC (each a " Guarantor ", and together with the Borrower, " Obligors ")
Facility:	A term loan funded in a single drawdown on the closing date (" Facility ")
Facility Amount:	Up to \$3,750,000, not to exceed 65% of as is market value determined by updated appraisal to be ordered by Bank.
Purpose:	Renewal of existing loan and additional funds for capital expenditures, legal fee reimbursement, closing costs, and for other general corporate purposes of the borrower.
Maturity Date:	60 months from the closing date
Interest Rate:	The "Index" shall be One Month Libor. The "Rate" shall equal the Index plus 2.25% p.a. (calculated on the basis of a 360-day year). All based on a 180 month amortization.
Fixed Rate via Interest Rate Swap:	Borrower may elect to enter into an interest rate swap with SunTrust to convert the above variable rate to a fixed rate for the loan facility. Terms offered are a 60 month maturity with a 180 month amortization. The fixed rate available through the swap is a market-derived rate and changes with market conditions until it is locked-in. Based on today's market and the proposed loan structure, the indicative fixed rate on a 60 month term with a 180 month amortization is 5.26%, These rates are subject to change daily.
Loan Fee:	0.25% of the Facility Amount.
Payments:	Monthly payments of principal and interest based on a 180 month amortization with a final payment of the unpaid balance, plus any accrued and unpaid interest and any other amounts due under the terms of the Note on the maturity date.
Prepayment Fee:	None. Should the Borrower opt to hedge all or a portion of the loan via an interest rate swap, prepayment of any hedged amount may result in either a net gain or cost to unwind the swap agreement.
Collateral:	Continued priority lien/security interest including, without limitation on all assets and rights of Daufuskie Island Utility Company Inc to include real estate, well sites, treatment facilities and equipment facilities, and assignment of Leases and Rents, to be more thoroughly described in the loan documents.

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Schedule 201 Utility Plant in service for the combined statements for the Water Utility Annual Report of Borrower and the Wastewater Utility Annual Report of Borrower and the Wastewater Utility Annual Report of Borrower/Melrose VVWTP.

"Free Cash Flow" mean EBIDA less debt service and Capital Expenditures determined for such fiscal year.

"EBIDA" means net income plus Interest Expense, depreciation expense, and amortization expense each determined for such fiscal year.

"Interest Expense" means interest expense (including without limitation the interest component of any payments in respect of capital leases capitalized or expensed during such period) determined for such fiscal year.

**Treasury and
Payment Services;
Payments by
Auto Debit:**

Borrowers agree (i) to maintain its primary operating account and all other cash management treasury business with SunTrust Bank, including, without limitation, all deposit accounts, disbursement accounts and lockbox accounts and (ii) to execute an agreement authorizing Lender to debit a deposit account maintained by Borrower with SunTrust Bank for all amounts due under the Loan.

**Representations
and Warranties:**

Usual and customary for Lender in transactions of this type.

**Affirmative
Covenants:**

Usual and customary for Lender in transactions of this type, including without limitation: delivery of updated financial information, including but not limited to current financial statements in form satisfactory to Lender, tax returns and other additional information, reports or schedules (financial or otherwise), all as Lender may request.

Negative Covenants:

Usual and customary of Lender in transactions of this type, including without limitation restrictions on liens, additional indebtedness and dividend payments if an event of default exists.

**Events of
Default:**

Usual and customary for transactions of this type (with customary notice and cure periods), including, without limitation, the following: payment default; breach of representations in any material respect; breach of covenants; cross default to other indebtedness; bankruptcy; judgments; change in control; material adverse change in financial condition, operations, business or prospects; termination or invalidity of guaranty or collateral documents; and defaults under other loan documents.

**Closing
Conditions:**

The closing of the Loan shall be conditioned upon satisfaction (or valid waiver) of conditions precedent usual and customary for transactions of this type, including, without limitation, the following conditions (all of the items to be delivered in form and substance satisfactory to Lender): (1) receipt and review of (a) all financial, formation and other information required by Lender on Borrower, Guarantor(s) and their constituent entities and other entities specified by Lender, including all due diligence materials to verify authority, identity and background information for regulatory purposes under applicable "know your customer" and anti-money laundering laws, as deemed necessary by Lender in its sole and absolute discretion and (b) such other information and due diligence deliveries as are requested by and acceptable to Lender, including, but not limited to, legal documentation and attorney opinion letters; (2) authorization, execution and delivery of such documentation as is standard and customary for this type of transaction or otherwise deemed necessary or appropriate by Lender, including customary increased cost, withholding tax, capital adequacy and yield protection provisions, treating Basel III and Dodd Frank as changes in law in a manner similar to that proposed by the LSTA for such provisions, and cross-

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collateralization of all obligations owed to Lender by Borrower; and (3) there shall not have occurred, in the opinion of Lender, any material adverse change in the business or financial condition of Borrower or any Guarantor or in any other state of facts submitted to Lender in connection with the Loan, from that which existed at the time Lender initially considered the proposed Loan.

The funding of each advance under the Loan, including without limitation the initial advance, shall be subject to the accuracy of representations and warranties as of the date of such advance and no event of default or incipient default under the Loan having occurred and continuing as of the date of such advance or resulting from the making of such advance.

**Expenses and
Indemnification:**

Borrower will pay all costs and expenses of Lender including, without limitation, the fees, charges and disbursements of Lender's counsel in connection with the preparation, administration and enforcement of all documentation executed in connection with the Loan. Other cost for Borrower to pay includes appraisals, environmental due diligence, title insurance, and any additional services required for approving and funding the Loan.

**Governing Law and
Jurisdiction:**

State of South Carolina.

Swap Disclaimer:

Nothing herein constitutes an offer or recommendation to enter into any "swap" or trading strategy involving a "swap" within the meaning of Section 1a(47) of the Commodity Exchange Act. Any such offer or recommendation, if any, will only occur after we have received appropriate documentation from you regarding whether you are qualified to enter into a swap under applicable law.

This Summary of Terms and Conditions is intended as an outline of certain material terms and conditions applicable to the Loan and does not purport to describe all of the terms and conditions, representations and warranties, covenants and other provisions that could be contained in the definitive loan and collateral documentation relating to the Loan.